

Message Text

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12

ACTION AID-20

INFO OCT-01 NEA-14 ISO-00 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 NSC-07 SS-20 STR-08

CEA-02 IGA-02 DRC-01 /134 W
----- 039432

R 241010Z MAY 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3155

INFO AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EFIN, EAID, BG

SUBJ: BD ASSUMPTION OF DEBT

REF: DACCA 2286

BEGIN SUMMARY: PER REFTEL, FOLLOW-UP MEETING HELD TUESDAY, MAY 21, WITH SECRETARY, PLANNING COMMISSION (PC). REMAINING OUTSTANDING DEBT ISSUES APPEAR TO BE WITHIN REACH OF RESOLUTION. EXPECT FINAL LETTER FROM BDG IN TIME FOR JUNE 12 PARIS MEETING. EMPHASIZE SOME UNDERSTANDINGS MUST BE PROTECTED. REMAINING ISSUES AND JOINTLY AGREED UPON MEANS TO THEIR RESOLUTION DISCUSSED BELOW. URGE RAPID RECONSIDERATION IMPROVEMENTS OF ASSUMPTION OF LIABILITY. LETTER CONFIRMING UNDERSTANDINGS WILL BE SENT. END SUMMARY

1. M. 22 DEBT NEGOTIATION FOLLOW-UP MEETING HELD WITH PC SEC SYEDUZZAMAN, AHMED AND MOHIUDDIN ATTENDED BY REES, SCHWARZWALDER, PEARSON AND STEPANEK. FOLLOWING IS STATE OF DISCUSSION RE MAIN CATEGORIES OUTSTANDING ISSUE.

2. CONSULTING SERVICES/FEASIBILITY STUDIES AND JOINT PROJECTS: SECRETARY AGREED ACCEPT IN PRINCIPLE ALL LOANS THESE CATEGORIES.
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THEY INCLUDE: FOUR CONSULTING SERVICES AND ONE FEASIBILITY STUDIES

LOANS (062, 124, 068, 136 AND 058); AIRPORT LOVF (054); TELECOMMUNICATIONS (071); AND THE FOUR MALARIA ERADICATION LOANS (053, 084, 128 AND 4135). THE SEC STRESSED THAT FOR THE TIME BEING WE WERE TO KEEP BDG ACCEPTANCE OF THESE LOANS TO OURSELVES. WE UNDERSTAND THIS TO MEAN THAT THE PC WISHES TO HAVE TIME TO NEGOTIATE SIMILAR ISSUES WITH OTHER DONORS. EMPHASIZE WE MUST REPEAT MUST RESPECT THIS REQUEST IN OUR DISCUSSION WITH OTHER DONORS SO THAT NEGOTIATION NOT PLACED IN JEOPARDY. SEC EMPHASIZED THAT ACCEPTANCE BASED ON ASSURANCE GIVEN BY MACDONALD THAT HE WOULD SEEK IMPROVEMENT ON 73 PERCENT GRANT ELEMENT. IN WAS FULLY UNDERSTOOD THAT ACCEPTANCE IN PRINCIPLE IS FOR AMOUNTS CONTAINED IN USG PROJECT LIST OR, FOR EXAMPLE, IN THE CASE SOME JOINT PROJECTS, AMOUNT DETERMINED FOLLOWING FINAL CONTROLLER'S EXAMINATION.

3. QUOTE INCOMPLETE PROJECTS UNQUOTE: CHITTAGONK PORT; KARNAPHULI THIRD UNIT; AND THE ASFAR COTTON MILLS SUBLOAN OF EXIM'S PICIC LOAN (2792). OF ALL OUTSTANDING ISSUES, CHITTAGONG PORT PRESENTS THE GREATEST DIFFICULTIES, SINCE AGREEING TO ACCEPT ITS \$2.3 MILLION LIABILITY OPENS THE DOOR ON \$20 MILLION WORTH OF OTHER DONORS' PROJECTS WHICH MIGHT NOT BE CONSIDERED TO BE ON-GOING. THEREFORE, SEC URGED US TO COMPLETE OR AT LEAST TO FINANCE A PORTION OF PROJECT SO THAT IT COULD BE MORE WITHIN BDG DEFINITIONS. (THE BDG HAS SPENT \$1.4 MILLION ON THE PROJECT AND ACCORDING TO ITS OWN ESTIMATES, WILL NEED ANOTHER \$1.4 MILLION TO COMPLETE IT). IT WAS DECIDED THAT SOME R/R FUNDS WILL BE ALLOCATED TO HELP COMPLETE THE CHITTAGONG PORT PROJECT. BECAUSE OF DIFFICULTIES USAID HAS WITH THE PRESENT CHITTAGONG PORT CONSTRUCTION CONTRACTOR, WE ADVISED SEC THAT IT WOULD BE BEST IF WE REIMBURSED THE BDG FOR PORTIONS OF THE POST-INDEPENDENCE CONSTRUCTION THAT ARE ALREADY COMPLETED AND WHICH CAN BE READILY IDENTIFIED AND DOCUMENTED. PC DEVELOPING DOCUMENTATION. ESTIMATES EXPENDITURES TO DATE ARE ABOUT \$1.5 MILLION. RE KARNAP XMFHIVED# UNIT, WE STATED IT WOULD BE POSSIBLE EXAMINE LOAN REQUEST FOR COMPLETION THIRD UNIT. EMPHASIZED DESIRABILITY CONSIDERING LOAN IN CONTEXT OF NEW DEMAND GENERATED BY EXPANDED RURAL ELECTRIFICATION EFFORT, ELECTRIFIED TUBEWELLS, AND FERTILIZER PLANT, OR AS A CHEAPER SOURCE OF ENERGY IN LIGHT OF RISING POL COSTS. RE REQUEST SOR FUNDS TO COMPLETE ASFAR COTTON MILLS, SEC ADVISED THAT ISSUES ARISING FROM EXIM LOANS LIMITED OFFICIAL USE

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HAD BEST BE HANDLED BY DIRECT NEGOTIATIONS WITH AN EXIM REP. SEC REQUESTED A LETTER FROM EXIM DESCRIBING THE RESCHEDULING METHOD AND THE TERMS IT WOULD OFFER. (QUESTIONS CONCERNING A SECOND SUBLOAN FOR THE RAHMAN COTTON MILLS REMAINS TO BE SETTLED. SEPTTEL FOLLOWS).

4. DEOBLIGATED LOANS: SEED POTATO (139) AND SAWMILL (052). REES ARGUED THAT THESE TWO ACTIVITIES WERE IN THE NATURE OF CONSULTING SERVICES AND THEREFORE DID PROVIDE A BENEFIT. TO AVOD AN IMPASSE

AND PREVENT PARKINSONIAN DISCUSSION THESE TWO SMALL AMOUNTS, REES
SUGGESTED AND THE SEC CONCURRED THAT THE MATTER BE HELD IN ABEYANCE
FOR TIME BEING. REMAIN
HOPEFUL THAT PC WILL EVENTUALLY GET BDG
ACCEPTANCE.

5. IT WAS AGREED THAT A DEFINITIVE LETTER WOULD BE SENT TO US FROM
THE PC NLT JUNE 10, IN TIME FOR THEHQUNE 12 PARIS MEETING. IT WAS
ALSO AGREED THAT A STATEMENT OF THE EXACT LOAN AMOUNTS WAS NOT
REQUIRED AT THAT TIME.

6. BELIEVE SEC NEGOTIATING IN GOOD FAITH AND WILL DELIVER ON
COMMITMENTS. IT ALSO CLEAR THAT HIS POSITION IS DIRECTLY RELATED
TO MACDONALD UNDERTAKING RE IMPROVEMENT OF TERMS. URGE PROMPT
ACTION RE RECONSIDERATION OF TERMS.

7. LETTER CONFIRMING THESE UNDERSTANDINGS WILL BE SENT FROM
SCHWARZWALDER TO SECRETARY.
DECONTROL MAY 23, 1975.
BOSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBT REPAYMENTS, DEVELOPMENT LOANS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA02345
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740131-0899
From: DACCA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1974/newtext/t19740521/aaaaarwf.tel
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
Reference: DACCA 2286
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Review Comment: n/a
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2002 by kelleyw0>; APPROVED <04 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

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Review Withdrawn Fields: n/a
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TAGS: EFIN, EAID, BG, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005